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## **THE ROLE OF THE WORLD BANK IN SUSTAINABLE DEVELOPMENT**

### **Summary**

*The World Bank or, in other words, World Bank Group is an international finance institution whose primary goal is to decrease poverty and promote sustainable development in third world countries. Other goals include granting loans to governments for financing development projects, reform of economic policy and technical support. World Bank involvement in terms of environment protection is expressed by linking main tasks pertaining to financing of economic development and reduction of poverty, taking into account environmental issues.*

*The purpose of this article is to present the World Bank as a financial institution which actively supports and promotes various types of activities on behalf of sustainable development and environment protection. This article presents issues which pertain to the establishment and the idea of World Bank activity as well as characterizes functions of individual institutions which belong to the World Bank Group. Subsequently, this article also discusses the principles of financing of investments by the World Bank as well as presents financial instruments that are utilized in this process. In addition, this article depicts the conditions which must be fulfilled by the loaners.*

*The author also presents a detailed characteristics of World Bank activity in terms of environment protection worldwide as well as in Poland. The author also performed in-depth analysis of granted credits in the years 2005-2010, based on the types of activities and destined targets.*

### **1. Introduction**

Environmental protection issues are inseparably linked with countries' economic development. The essential role in solving environmental issues can be attributed to highly developed nations. It should be noted that these

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are predominantly European nations, which grant financial aid to developing countries. In recent years we have witnessed active involvement of international financial institutions, which are considered providers of necessary means allocated for environmental protection. International Bank for Reconstruction and Development belongs to a group of the aforementioned institutions. This particular bank allocates a significant amount of financial and context-related aid for environment protection as well as management of natural resources. In addition it takes into account the environmental consequences when accomplishing other tasks, like those that deal with infrastructure and economic branches.

The purpose of this article is to present the World Bank as a financial institution that actively supports and promotes various forms of activities on behalf of sustainable development and environment protection.

The primary thesis of this article assumes that the World Bank deals with coordination and control of global investment activity and at the same time guarantees best economic effects. Consequently the World Bank through the process of interaction largely contributes to investments that deal with sustainable development. The analysis of granted credits for environmental protection includes the period 2005-2010.

This article contains 3 separate sections. The first section presents issues that pertain to origins, principle assumptions and the essence of World Bank activity. In this section the author also discusses a number of functions, which are fulfilled by institutions affiliated with the World Bank. The second section provides a description of methods and principles of financing investments. The author provides a detailed discussion as to which financial instruments are utilized and determines the conditions that must be fulfilled by the debtor. In the third section the author characterizes the World Bank activity on behalf of environment protection. Special attention is given to Poland's collaboration with selected institutions.

## **2. World Bank as an international finance institution**

International Bank for Reconstruction and Development (IBRD), commonly referred to as the World Bank, is an international finance institution, which has been appointed during the proceedings of the UN Monetary and Financial Conference held in Bretton Woods (New Hampshire, USA) from July 1 to July 22, 1944. World Bank with its main headquarters in Washington, DC, commenced its activity on June 25, 1946. In the beginning World Bank members comprised of 44 founding nations, including Poland. It should be noted that Poland, due to extraordinary political and economical situation has withdrawn from the World Bank on June 14, 1950. Poland had not rejoined the World Bank until June 27, 1986 [Zabielski 2002, p. 330].

The principal conditions for becoming a member of the World Bank and its affiliated organizations is the membership of a given nation in the International Monetary Fund (IMF) and payment of member's share [Latoszek, Proczek 2001, p. 186]. Depending on the amount of state share, individual countries possess a respective number of votes.

Currently the World Bank unites 187 member countries [Annual Report 2010, p. 5]. The World Bank possesses a status of a joint stock company and its organizational structure is identical to the IMF and comprises the following components [Chrabonszczewska 2005, pp. 103-105]:

- The Board of Governors is the most important department which possesses paramount authority within the World Bank. It includes representatives of membership countries (1 representative from each country, usually minister of finance or president of the central bank). The term of office is 5 years. The board is summoned once a year and makes the most important decisions including: admission of new members, membership suspension, increase of capital stock, collaboration agreements with other organizations, division of the stock shares etc. Resolutions are passed according to the majority of votes.
- Executive Directors, which comprises of a chairman and 25 executive directors (Since Nov 25, 2010). It should be noted that 5 of them are appointed, whilst 20 are selected within the membership groups, which range between 1 and 21 nations. The chairman is selected among the executive directors but his candidacy is announced by the executive director from the United States. The chairman of the bank is simultaneously the president of affiliated organizations and is responsible for current affairs that pertain to bank management. This includes bank's organization, policy and personal issues. Since July 1, 2007 the function of the chairman was fulfilled by Robert B. Zoellick (USA). The chairman has 3 deputies. The first deputy is responsible for current operations, policy and strategy, the second serves as general advisor and the third is an economic director.
- regional and functional departments subordinated to 5 directors, which goal is to supervise management of two regional sections and three functional sections. These sections are involved with issues that deal with infrastructure, private sector development, financing, management, budget, and control. Additional tasks include affairs strictly associated with the World Bank, development of human resources, operational services, natural environment as well as particular issues and problems that pertain to third world and developing countries (Africa, Eastern and Central Europe, Asia and Latin America).

The main circumstance that led to the establishment of International Bank for Reconstruction and Development was the sheer will to provide aid to countries that have been devastated by WWII campaign as well as to the large number of developing countries. Consequently, the first loan was granted to countries in western Europe. However, in a short period of time the World Bank changed its basic aid policy and targeted its activity toward developing and poor countries in Asia, Africa and Latin America. Such a drastic change in World Bank's policy was the result of extensive aid that has been offered by the US to western European countries in the form of the so-called Marshall Plan [Baniecka 2009, p. 166].

World Bank initial capital possesses a joint stock character. The share of the capital comprises two basic components:

1. Paid-in capital (comprises 10% of the share of stocks), in which 1% is paid in redeemable currency or US dollars, and the remaining 9% is paid using the national currency of the particular member of the World Bank.
2. Subjected to call capital (90% of the share of stocks), which is also referred to as the guarantee fund. It is expressed in redeemable currency, which is a form of warranty of bank's obligations toward the emitted bonds and guarantees given by the bank.

Originally the World Bank initial capital was 10 billion USD and from that point on it increased proportionally to the increasing number of members, more extensive activity, and increasing initial capital.

World Bank ownership capital comes from the following sources (activities):

- raising mid-term and long-term bond loans (and Eurobonds) on the international capital markets within member countries, predominantly on industrialized markets,
- cash payments made by member countries,
- sale of bonds in a country that raised a loan with the bank,
- revenue obtained from various types of operations performed by the bank,
- repayment amounts of granted loans.

In addition, the capital can also come from the transfer of liability. In this particular case the bank withdraws the amount of loan that hasn't been paid and transfers it to other fiscal institutions. Consequently the bank obtains the capacity to raise new loans.

The mission of the World Bank is to decrease the level of poverty worldwide and to promote sustainable development in developing countries. In addition, the World Bank raises loans to these countries that will help to finance development projects as well as economic policy reforms and technical aid.

The statutory goal of the World Bank includes the following tasks [Czech 2006, p. 207]:

- supporting long-term and sustainable growth of international trade exchange and maintaining stability of balance of payments. Its role is to finance such investments which assure the development of productive resources of member countries as well as ensure the improvement of living standard and working conditions,
- providing aid for developing countries, which pertains to a lengthy task of reconstructing their national economies. This can be accomplished by directly establishing the real capital; that is by providing guarantees to raise loans,
- raising loans from different sources and subsequently using them to finance credit necessities of member countries. This is sometimes referred to as co-financing,
- facilitating foreign private investments and granting loans for production-type purposes (from own and borrowed means),
- granting loans or guaranteeing loans from other sources in order to finance the most needed investments,
- performing fiscal operations in order to improve the economic situation of member countries,
- Development of local enterprises by ensuring them foreign financial resources.

Currently the World Bank activity focuses on the following list of priorities [Kosztownik, Misztal, Pszczółka, Szelałowska 2009, p. 202]:

- Supporting the development of the private sector in developing countries,
- Elimination of extreme poverty in Africa,
- Development of human resources in developing countries through financing education, health care, and projects that deal with improvement of women situation.

The World Bank accomplishes its goals as a part of broad global strategy. In this context the World Bank fulfills the following functions [Kosztownik, Misztal, Pszczółka, Szelałowska 2009, p. 203]:

- Credit function, which provides member countries with indispensable means for financing the reconstruction process and development of economy in a given country,
- Coordinating function, which helps to standardize the credit aid that has been obtained from various local resources, including the bank itself and international organizations,
- Meditative function,
- Guarantee function, which inclines the parties to make international investments,
- Technical and advisory consultations offered by bank's experts.

Individual institutions that belong to the World Bank Group are responsible for specific needs brought forth by the member countries. The World Bank Group comprises the following organizations [Chrabonszczewska 2005, p. 101]:

- International Bank for Reconstruction and Development,
- International Development Association (IDA). The goal of this organization is to grant preference credits (loans) to very poor countries so they could start to develop and improve their economic situation. Candidate countries must have a GNP per capita lower than 925 USD and cannot possess credit liability. The credits are granted for a period of 35-40 years with a 10 year suspension period,
- International Finance Corporation (IFC). Is a type of business institution which activity focuses on direct financing (granting credits) of private sector projects as well as helping to mobilize capital for the private sector on the international finance markets. In addition IFC provides consulting services as well as technical assistance. The IFC obtains means for conducting its activity from the commercial banking market.
- Multilateral Investment Guarantee Agency (MIGA). Within the World Bank Group it functions as an insurance company. One of the basic tasks include support of capital and transfer of technology into developing countries. This is accomplished by ensuring investments from trade and non-trade risks that are involved as well as through promotion of foreign investments and provision of consultation services,
- International Center for Settlement of Investment Disputes (ICSID). This is a service type institution, which deals with establishment of amenities and rules of international arbitration in terms of settlement of investment disputes. This is a non-profit organization and its revenues come from the sales of publications and registration payments. Subsequently the revenue is transferred to IBRD in order to cover the costs of IBRD services on behalf of the ICSID.

The range of services provided within the World Bank Group changes accordingly with development of international financial markets. MIGA grants credits and loans for financing of development tasks, issues credit guarantees and purchases shares and stocks. However, in recent years the para-banking services readily available at a number of World Bank institutions play a more significant role.

### **3. Methods and principles pertaining to World Bank financing of secure activities**

The World Bank grants credits primarily to governments of member countries and institutions as well as banks which possess government warranty. This way the World Bank supports developing countries, which are characterized by very low credit liability and subsequently becomes their ultimate source of credit.

After WWII bank's activity focused mainly on financing the reconstruction projects for countries that have been devastated by the war. Subsequently this turned into the phase of development of these countries. In the beginning of the 1960s the World Bank financed numerous projects in developing countries, whilst during the 1980s participated in solving issues related to the debt crisis. In the 1990s the bank participated in aid activities which have been organized by the IMF on behalf of the countries, which were engulfed by subsequent financial crises. It should be mentioned that the bank also financed projects in socialist countries.

The World Bank's Policy is to grant only such credits which are utilized to finance investment projects. It utilizes credit instruments which can be subdivided into 2 groups [Chrabonszczewska 2005, p. 109]:

1. Investment credit instruments which include the following:
  - Specific investments credits for establishment and improvement of economic, social and institutional infrastructure,
  - Damage credits used for relief and reconstruction as a result of war or natural catastrophes,
  - Credits for financial mediators allocated to development of financial sector,
  - Credits for technical support, allocated to establish institutional possibilities of a given nation, which are associated with economic, social and public development,
  - Credits for preliminary innovative projects, which pertain to small projects up to 5 million USD. Such credits should be implemented up to three years.

Investment loans are aimed at financing tasks which create both material and social infrastructure. The aforementioned infrastructure is essential in controlling poverty and establishing permanent development.

2. Adjustable instrument credits among which we can distinguish:
  - adjustable structural credits which support policy of change and reforms,
  - special sector and structural adjustable credits, implemented in 1999. These type of credits are usually granted fairly quickly, which

is a direct result of sector crises that can be encountered and which have a significant impact on the structure of economy,

- programmable adjustable structural credits, implemented in 2000 in order to support a program of social and structural reforms,
- Loans for reducing debt (granted since 1997),
- recovery credits used for rapid improvement of infrastructure (granted since 1997).

The goals of adjustable loans (programs) are: to promote development of competitive trade structures, strengthen economic and trade policies, establish a proper control system with the financial sector and create a suitable environment for development of private sectors and related investments [Kosztownik, Misztal, Pszczółka, Szelałowska 2009, p. 204].

The World Bank also grants currency credits. At present the bank offers three types of currency credits:

- Currency Pool Loans (CPL),
- Variable Single Currency Loans (VSCL) based on the LIBOR interest rate,
- Fixed Spread Loans (FSL) with constant margin.

Besides various types of credits the World Bank also offers guarantees such as partial risk guarantee and partial credit guarantee which are based on the imposed project. The goal of the aforementioned guarantees is the promote private financing in member countries, by taking care of the risks that might be encountered by the private sector subjects.

The World Bank can issue 3 types of guarantees; in each case the state must provide warranty that the investment will be realized. The 3 types of guarantees are listed below:

- Partial risk coverage guarantee, which in the case of not fulfilling the obligations that result from the contract, cover specified types of risks,
- Partial credit coverage guarantee, which secures the creditor from any type of risk, which could result from the obligations on the grounds of debt services and prolongation of the credit payment deadline,
- Partial credit coverage guarantee, that has been incurred by the member nation in a private foreign bank in order to implement social-economic reforms.

In order to improve management of financial risks in terms of credit transactions, the bank has introduced a number of security products and implemented them in 1999. A list of these products is presented below [Kosztownik, Misztal, Pszczółka, Szelałowska 2009, p. 205]:

- currency swaps which are used in all types of loans after individual negotiations with bank authorities are held,



- commodity swaps, also used after and individual agreement from the bank authorities has been granted,
- interest rate swaps, which are aimed at limiting both upper and lower ranges of single currency loan interest rate changes, as well as loans which have a constant margin.

The World Bank also established a set of principles, which facilitate the limitation of credit risk. The aforementioned principles are outlined below [Czech 2006, p. 212]:

- non-exceedance principle which pertains to unpaid capital debts that have been transferred to the bank and subsequently increased by the amount paid in as well as by retained profits and surpluses,
- principle that pertains to division of risk between various geographical regions and which takes into account credit support of a large number of countries,
- principle that pertains to granting credits in the same currency that the bank incurs loans,
- principle that pertains to the share of member nation own assets in the financed project,
- credit repayment principle,
- principle that pertains to general profitability of projects that are subjected to financing,
- project reality principle

The World Bank employs the aforementioned principles when granting credits. It strives to maintain a situation in which the structure of foreign exchange credits is similar to the structure of foreign exchange loans. It should be mentioned that the World Bank incurs these loans, which results in the denomination of US dollar.

The World Bank utilizes various types of criteria for credit activity. Each project that is financed by the bank must be precisely determined and cannot compete with a financial mechanism that is operating in a given country. Financing of the World Bank possesses a supplemental character and functions parallel to the share of nation's own assets which uses bank's credits. Hence the means obtained by the nation which incurs a loan should be allocated exclusively for currency expenses. Meanwhile internal expenses should be conducted in the national currency of the loaner.

The World Bank does not grant tied credits, which means that the assets which are come from the credits granted by the bank may be spent by a given nation in each country and any currency.

In order to ensure risk warranty pertaining to investment financing the World Bank also utilizes the so-called project cycle, which includes 6 distinct phases [Chrabonszczewska 2005, p. 108]:

1. Identification phase, which is aimed at selecting a project from a group of projects that are scheduled for realization according to their priorities (so-called priorities test). Subsequently a proposition for financing of the project is presented.
2. Preparation phase, which features detailed technical, economical and social analyses of project's aspects. The aforementioned analyses are carried out by the investing nation.
3. Estimation phase, which is conducted in the following areas: technical, institutional, economical and financial. Estimation is performed by a panel of independent advisers and experts.
4. Negotiation phase (including approbation). The negotiations are held between the bank and the debtor and are based on the bank report that estimates the conditions for obtaining a loan.
5. Realization and supervision phase. The World Bank visits the investments sites in order to confirm the accordance of usage of means that have been allocated by the loan. In another words, the aims of the loan should be agreeable with the bank regulations. Recommendations and corrections pertaining to realized credit projects are published in The World Bank's report titled „Effective Implementation Key to Development Impact”.
6. Project Evaluation Phase. This evaluation is performed by an independent department (Operation Evaluation Department) which is directly subordinate to the board. In this evaluation a panel of experts compares the actual costs of the project and its benefits, abiding to the realization timetable as well as efficiency of the project in relation to primary assumptions. The annual project review is published in the report titled „Evaluation Results”.

Loaners, which apply for obtaining World Bank measures must fulfill a number of conditions. The most important conditions are outlined below [Zabielski 2002, pp. 331-332]:

- guarantee of loan repayment by state authorities, even if specific enterprise applies for such a loan,
- state-loaner must possess repayment credibility as well as provide additional payments that are used in the project,
- the need to accomplish the essential project after exhaustion of other available sources of financing,
- signing an agreement based on the contract and effective rules when using measures in accordance with bank's procedures.

Due to a diversified structure of activities performed by institutions that are a part of the World Bank Group, it is evident that credit instruments usually vary in terms of conditions of crediting, length of credit period, and possibilities of obtaining credits.

It should be stressed that the World Bank allows a possibility to make changes in preliminary loan conditions, however this feature is only available for varied interest rate loans and also when other extraordinary conditions are taken into account (i.e. realization of projects on a global scale). The aforementioned changes may create a number of difficulties in achieving a sustainable economic development. On the other hand this may be an attempt to adapt to ever changing economic and political conditions around the world.

#### **4. World Bank crediting policy in terms of environmental protection in the years 2005-2010**

The issues associated with environmental protection as part of World Bank activity have been introduced rather late, that is during the 1970s. At that time a special department has been appointed within the auspices of the World Bank organizational structure. This department was responsible for assessment of environmental aspects of investment projects in order to prevent possible losses during their realization [Budnikowski 1998, pp. 150-153].

World Bank's approach toward environment protection policy remained quite rigid and any changes have been introduced gradually. For example in 1987 a special department was established for the purpose of conducting routine environmental surveys of every investment project. Additionally, this department was responsible for carrying out consultations with non-governmental ecological organizations. Since that time environmental projects have become a permanent element of World Bank credit policy.

Subsequent phase which pertains to more broader inclusion of environmental issues in World Bank activity is associated with the recognition of sustainability. From that point on this was the official priority of bank's activity. This took place in the year 1992 in the eve of the Rio de Janeiro Summit. The World Bank also wanted to offer non-returnable aid to developing countries allocated for environment protection. In consequence the World Bank became a co-creator and an administrator of the Global Environmental Facility (GEF).

Changes that took place have been accompanied by an increase in financial resources utilized for accomplishment of environmental projects. The first agreement in terms of granting a loan in the amount of 15 million USD has been signed by the World Bank on May 18, 1971. These resources have been designated for controlling of water pollution [Brzozowska 2001, p. 19]. From that point on World Bank financial involvement in environment protection has rapidly increased. In 1986 it amounted to 1 billion USD, in 1991 45 million USD and in 1996 it achieved a staggering sum of 153 million USD [Budnikowski 1998, p. 152]. Meanwhile in the period 2001-2005 the total amount of World

Bank credits allocated for natural resources and the environment attained 9 billion USD [Czech 2006, p. 216].

During subsequent 5-year period (2005-2010) the World Bank granted numerous credits which amounted to approximately 201 billion USD. It should be mentioned that about 18 million USD has been designated solely for environment protection and management of natural resources. Table 1 displays the amounts of World Bank credits during the period 2005-2010 based on the type of activity.

**Table 1.** Size of World Bank credit share based on the types of activities in the years 2005-2010 (in millions of USD)

Sector	2005	2006	2007	2008	2009	2010
Agriculture, fishing and forestry	1933,6	1751,9	1717,4	1360,6	3400	2618,3
Education	1951,1	1990,6	2021,8	1926,6	3444,8	4944,5
Power industry and mining	1822,7	3030,3	1784	4180,3	6267,4	9925,2
Financing	1675,1	2319,7	1613,6	1540,7	4235,6	9136,6
Health care and social welfare	2216,4	2132,3	2752,5	1607,9	6305,5	6792
Trade and industry	1629,4	1542,2	1181,3	1543,5	2806,5	1251,3
Telecommunication and information technology	190,9	81,0	148,8	56,5	329,2	146,3
Law and public administration	5569,3	5857,6	5468,2	5296,4	9491,6	10828,2
Transport	3138,2	3214,6	4949	4829,9	6260,6	9001,9
Water and sewerage system and flood protection	2180,3	1721	3059,4	2359,9	4364,9	4102,8
<b>Total</b>	<b>22307</b>	<b>23641,2</b>	<b>24695,8</b>	<b>24702,3</b>	<b>46906</b>	<b>58747,1</b>

Source: author's own elaboration based on the The World Bank Annual Report 2011, p. 7.

During the analyzed period largest shares of credit amount in general pertain to credits associated with legal and public administration reforms (21%), followed by transport (15,6%), mining and power industry (13,4%). On the other hand the lowest shares are associated with credits allocated for investment projects such as information technology and telecommunications (0,5%).

When we examine the goal of individual credits in the period 2005-2010 we can see that the largest number of credits has been granted to development of private sector (48 million USD), which constitutes about 23,8%, followed

by development of human resources and the public sector. Reforms associated with human resources amounted to about 27 million USD (13,3%), whilst the development activity of public sector turned out to be about 26 million USD (12,9% - tab. 2). Credits designated for environment protection tasks amounted to nearly 18 million USD (9% of the total number of credits).

**Table 2.** Amount of credits granted by the World Bank in the years 2005-2010 based on the goal of crediting (millions USD)

Goal of crediting	2005	2006	2007	2008	2009	2010
Economic management	594,6	213,8	248,3	396,6	2304,7	3949,9
Environment protection and natural resource economy	2493,8	1387,3	2017,0	2661,8	5085,4	4337,2
Development of the private sector	3862,0	6137,8	4260,8	6156,2	9694,8	17726,0
Development of human resources	2951,0	2600,1	4089,4	2280,9	6378,6	8421,3
Public sector management	2636,4	3820,9	3389,7	4346,6	6108,4	5750,4
State activity, legal constitution	303,8	757,6	424,5	304,2	15,8	207,1
Development of rural areas	2802,2	2215,8	3175,7	2276,8	4298,6	5003,7
Social development, activity aimed at gender equality	1285,8	1094,1	1250,3	1002,9	813,2	952,3
Social protection and risk management	2437,6	1891,7	1647,6	881,9	5295,7	5006,3
Trade, integration	1079,9	1610,9	1569,9	1393,2	3444,1	1818,4
Development of Urban areas	1860,0	1911,2	2622,7	3001,2	3466,7	5574,5
Total	22307,0	23641,2	24695,8	24702,3	46906,0	58747,1

Source: The World Bank Annual Report 2010, p. 7.

Table 3 presents the percentage share of World Bank credits allocated for environment protection and management of natural resources subdivided into geographic regions.

**Table 3.** The share of World Bank credits designated for environment protection and management of natural resources according to geographical regions in the years 2005-2010 (values in %)

Regions	2005	2006	2007	2008	2009	2010
Africa	6	5	4	6	3	5
Eastern Asia and Pacific Islands	16	12	14	17	7	11
Europe and Central Asia	10	4	11	11	5	6
Latin America and the Caribbean	16	8	8	14	25	10
Middle East and Northern Africa	12	3	20	4	9	5
South Asia	9	2	5	9	5	7
Remainder	31	66	38	37	46	57
Total	100	100	100	100	100	100

Source: Author's own elaboration based on the Annual World Bank Reports 2005-2010.

When we examine the geographical subdivision we can see that the greatest share of World Bank credits is visible in Latin American countries. This share is near the 8% level (2006, 2007) and increases dramatically to 25% in 2009. A considerable amount of such credits is also visible in eastern Asian countries (7-17%) as well as in Europe and Central Asia (4-11%). It is clear that African countries did not take the opportunity to use credits; the share of credits ranges from 3-6%.

The World Bank provides access to financial resources for developing countries. At the same time it poses a significant impact on investment activities globally. World Bank role is not only limited to coordinating functions, but also to controlling the credited investments. By affecting global scale investments the World Bank also accomplishes rational economic benefits, and provides sustainable development. Linking activities that pertain to economic development and reduction of poverty with environmental aspects enable to determine a precise type of bank's input into the field of environment protection [Dziawgo 2010, p. 77].

The World Bank includes primarily environmental issues in credit activity. It is also involved in other types of initiatives on behalf of environmental protection and is persuasive in obtaining financial resources for such activity. The list below outlines World Bank activity in this matter [Dziawgo 2010, p. 78]:

- Climate Investment Funds, which were in 2008. They comprise of two types of funds: Clean Technology Fund and Strategic Climate Fund. The former fund deals with financing of advanced environmental technologies (i.e. renewable energy), whilst the latter deals with service

and financing of three separate investment programs: pilot program concerning flexible climate, forest investment program, and renewable energy enhancement program,

- Green Bonds, are a type of securities which were introduced on the market in 2008, and are issued by the World Bank. The revenue obtained from sales of these securities are designated to financing projects, which are aimed at reduction of greenhouse gases in developing countries.

The World Bank has also undertaken an initiative to elaborate a new environmental strategy for the World Bank Group (Environment Strategy 2010). The particular emphasis of this strategy concerns global regions which are most susceptible to climate change as well as environmental economics issues (i.e. indices, biodiversity, forestry, and coastal and marine management).

Poland benefits from World Bank preferential credits since 1990. In the beginning the bank's support pertained to financing of tasks in 6 different areas:

- macro-economical stabilization and strengthening of Poland's credit capacity, which was achieved by granting a structural adjustment loan to be allocated for structural reforms. In 1994 the World Bank granted a credit for handling foreign debt from commercial banks,
- development of the private sector, by granting in 1993 an agricultural structural adjustment loan,
- development of financial system by granting two separate loans (1991, 1994),
- protection of natural environment through the introduction of the following initiatives: forest diversity protection project, rationalization of fiscal economy of Principle State Forest Agency, promotion of energy-saving lightning,
- development of the power industry sector, through the introduction of projects which pertained to financing of energy industry, and geothermal energy,
- development of infrastructure, which has been facilitated by projects concerning the renovation and modernization of existing road network and construction of a highway system.

Since 1990 the World Bank granted to Poland a total of 72 loans with an aggregate sum amounting to 8.9 billion USD. It should be noted that Poland has not implemented 257 million USD worth of loans and over 4.2 billion USD hasn't been paid so far. The current credit portfolio includes 9 active projects:

- four investment projects with a total sum of 2 billion USD, allocated for financing renovations and modernization of roads, projects that deal with energy efficiency, projects that pertain to prevention of floods especially in major river basins, as well as social services in rural areas,

- three projects financed by the Prototype Carbon Fund, which pertain to reduction of greenhouse gas emissions,
- three loans (development policy loans) with a total amount equal to 3 billion USD. It should be mentioned that the latter loan was granted just recently (June 2010).

Presently the World Bank involvement is outlined by the Country Partnership Strategy (2009-2013) and is associated with the following areas: social and spatial integration (reforms of social sectors, regional development), reform of the public sector, public global goods (climate change, financial sector stability) as well as with development and competitiveness (infrastructure, improvement of the situation of the public sector development).

## **5. Conclusions**

The World Bank has played a considerable role in global economic development, particularly during the early stage of its operation. The World Bank provided easy access to crediting for member countries and subsequently enabled them to finance reconstruction of their nations as well as provided consulting and technical support. During almost six decades of operation the World Bank has undergone various transformations. These transformations resulted mainly from political, social and economical conditions. It should be stressed that bank's activity has always been focused on the most poor countries whilst currently the bank seeks to find possibilities that would enable significant improvement of financing.

World Bank's financial resources are primarily allocated for investment projects, that are targeted at accelerating economic growth in developing countries. For these countries the World Bank is not just the only source of long-term aid and direct investments, but plays a role of technical advisor, which includes technical support of various projects and implementation of investments. It should be noted that this becomes an essential component of the crediting process. The World Bank employs standardized set of banking procedures, that impose determined formulation, testing and execution of investment projects as well as offers preferential interest rate policy and calculation of commissions. The above-mentioned procedures ensure proper quality of investment projects, financial discipline and greater efficiency.

Poland has benefited from World Bank services since 1990. These services include a set of credits that have been granted on favorable terms. The aforementioned credits comprise 6 different areas: macro-economic stabilization and strengthening of credit capacity, support of private sector and financial sector development, environment protection and power industry, and infrastructure.



World Bank's ability to be flexible and adjust to the current global economic situation is very promising and leads us to believe that the bank will continue its activity targeted not only towards the poorest countries but also (at least partially) towards countries which have a sound economic situation. It is recommended that the bank targets its services toward all nations in terms of environment protection, women rights, labor standards and support of non-governmental organizations.

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